

Message Text

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ACTION EB-11

INFO OCT-01 AF-10 ARA-16 EUR-25 ISO-00 AGR-20 AID-20

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00

XMB-07 OPIC-12 SP-03 CIEP-02 LAB-06 SIL-01 OMB-01

STR-08 DRC-01 L-03 /160 W
----- 019179

R 142240Z MAY 74

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 7023

INFO AMEMBASSY ABIDJAN

AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY GUATEMALA

AMEMBASSY LONDON

AMCONSUL LUANDA

AMEMBASSY MANAGUA

AMEMBASSY MEXICO

AMEMBASSY PANAMA

AMCONSUL RIO DE JANEIRO

AMEMBASSY SAN SALVADOR

AMEMBASSY SANTO DOMINGO

AMSCONSUL SAO PAULO 20

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E.O. 11652: N/A

TAGS: ETRD, EAGR, CS

SUBJECT: COFFEE EXPORTERS MEETING

REF: (A) SAN JOSE 1709

(B) SAN SALVADOR 1904

(C) GUATEMALA 2611

1. SUMMARY: LATIN AMERICAN COFFEE EXPORTERS MET IN
PUNTARENAS, COSTA RICA MAY 5-7 AND ALTHOUGH MULTINATIONAL
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CORPORATION NOT FORMED, BRAZIL, COLOMBIA, MEXICO, EL

SALVADOR, AND COSTA RICA SIGNED INFORMAL \$30 MILLION "FONDO DE DEFENSA DE CAFE". GUATEMALA ALSO EXPECTED TO PARTICIPATE IN FUND. OBJECTIVE IS TO DEFEND SCHEDULE OF TARGET PRICES IN WORLD MARKETS. "FONDO DE DEFENSA" WILL EVENTUALLY SERVE AS BASIS FOR "SUAVES CENTRAL, S.A.", A FORMALIZED MULTI-NATIONAL CORPORATION. EXPORTERS SEE SUPPLY SITUATION ADVANTAGEOUS TO THEIR OBJECTIVE OF MAINTAINING STABLE PRICES IN LONG-RUN.

2. LATIN AMERICAN COFFEE MEETING IN PUNTARENAS MAY 5-7 RECEIVED WIDE LOCAL PRESS COVERAGE, BUT IN DISCUSSIONS WITH ALVARO JIMENEZ C., EXECUTIVE DIRECTOR, OFICINA DEL CAFE, IT APPEARS THAT PRESS REPORTS WERE OFF MARK ON ACTUAL DECISIONS TAKEN BY GROUP.

3. CONCERNING MULT-NATIONAL "OTHER MILDS" CORPORATION, JIMENEZ TOLD AGATT ON MAY 13 THAT THIS IS STILL ONLY A PROPOSAL AND IS STILL UNDER STUDY. LATEST NAME ASSIGNED TO PROPOSAL IS "SUAVES CENTRAL, S.A." AND DRAFT WAS PREPARED BY MEXICO. COSTA RICA PLANS TO SUBMIT DRAFT TO LOCAL COFFEE ASSOCIATIONS, AND EXPORTERS FOR THEIR REVIEW AND COMMENTS. HE ANTICIPATES 3 TO 5 MONTHS BEFORE FINAL IMPLEMENTATION.

4. AT PUNTARENAS MEETING, A "FONDO DE DEFENSA DE CAFE" WAS ESTABLISHED AND SIGNED BY BRAZIL, COLOMBIA, MEXICO, EL SALVADOR AND COSTA RICA. GUATEMALA ALSO GAVE TENTATIVE AGREEMENT TO PARTICIPATION AND IS EXPECTED TO BECOME FULL PARTICIPANT. FUND WILL HAVE CAPITALIZATION OF \$30 MILLION INCLUDING \$9 MILLION EACH FROM BRAZIL AND COLOMBIA AND \$3 MILLION A PIECE FROM 4 CENTRAL AMERICAN COUNTRIES. FUND IS INFORMAL COOPERATIVE AGREEMENT AND WILL BEGIN OPERATIONS IMMEDIATELY. OBJECTIVE IS TO DEFEND SCHEDULE OF TARGET PRICES IN WORLD MARKETS. DETAILS OF TARGET SCHEDULE NOT GIVEN BY JIMENEZ, BUT INDICATIONS ARE THAT IT INCLUDES PRICES FOR VARIOUS COFFEES FOR VARIOUS FORWARD MONTHS. FOR COSTA RICA AND EL SALVADOR, TARGET FOR MAY GIVEN AS \$72 PER CWT FOB OR ABOUT \$75 BASIS NEW YORK.

5. EXACT FORM OF OPERATION OF "FONDO DE DEFENSA" SOMEWHAT UNCLEAR, BUT APPEARS THAT IF COFFEE IS OFFERED BY INTERNATIONAL BROKERS AT LESS THAN TARGET LEVELS IN WORLD LIMITED OFFICIAL USE

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MARKETS (READ U.S. MARKET), FUND WILL PURCHASE THIS COFFEE AND HOLD UNTIL TARGET PRICE CAN BE OBTAINED. IN EFFECT, APPEARS THAT FUND WILL OPERATE LIKE A MIDDLEMAN OR BROKER. FUND WILL PURCHASE IN SPOT, AFLOAT OR NEARBY MARKET, NOT IN FUTURES OR "CONTRACT C" ACCORDING TO JIMENEZ. IT APPEARS THAT DECISIONS WILL LARGELY BE MADE VIA TELEPHONE BETWEEN OFFICIALS OF NATIONAL COFFEE ORGANIZATIONS. HONDURAS, NICARAGUA, PANAMA AND DOMINICAN REPUBLIC DID NOT SIGN, BUT

WILL RECEIVE BENEFITS. FUND WILL EVENTUALLY SERVE AS BASIS FOR "SUAVES CENTRAL, S.A." ONCE LEGALLY CONSTITUTED AND ALL FORMAL PROTOCOLS SIGNED.

6. COSTA RICAN CAPITAL FOR PARTICIPATION IN "FONDO DE DEFENSA" WILL COME FROM OFICINA DEL CAFE AND LONDON DIVERSIFICATION FUND.

7. JIMENEZ AGAIN STRESSED THAT OBJECTIVE OF JOINT EXPORTER ACTION IS NOT TO FORCE-UP PRICES IMMEDIATELY BUT TO MAINTAIN CURRENT OR RECENT LEVELS AND TO STABILIZE PRICES IN LONG-RUN. HOWEVER, HE DID GIVE HINTS THAT TARGET PRICE SCHEDULE MIGHT BE GRADUALLY INCREASED, MARKET CONDITIONS PERMITTING. HE SAID THAT STABLE PRICES ARE BENEFICIAL TO BOTH PRODUCERS AND CONSUMERS BUT THAT A SHARP RISE IN PRICES IS USUALLY FOLLOWED BY AN EVEN SHARPER DECLINE ONCE PRODUCTION HAS RESPONDED TO HIGH PRICE LEVELS. FROM A STATISTICAL AVAILABILITY STANDPOINT, HE SAID THAT INDICATIONS ARE FAVORABLE TO OBJECTIVES OF EXPORTERS. FOR CENTRAL AMERICA, HE CITED 3 MILLION BAGS AVAILABLE FOR EXPORT OVER NEXT 5 MONTHS VERSUS NORMAL MONTHLY EXPORTS OF 0.8 MILLION BAGS PER MONTH. HE SAID THAT COLOMBIA WILL COVER SHORT-FALL IN CENTRAL AMERICAN EXPORTS. IN SHORT-RUN, HE CITED BUILD-UP IN STOCKS IN U.S. DUE TO FEARS OF DOCK STRIKE AS ONLY UNSETTLING ELEMENT.
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Message Attributes

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Disposition Date: 28 MAY 2004
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